

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JUNE 23, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on June 23, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Investigatory Matters**
- 4. Personnel Matters**
- 5. Closed Session Minutes**

Member Scrogum seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:57 p.m.

Board Minutes

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the May 19, 1998 regular meeting.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator's Report

Administrator Belletire summarized the following monthly reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator also reported that:

- Jeffrey Shapiro has been appointed as the Administrative Law Judge in the complaint filed against SIRCC related to credit practices.
- Request for Proposals (RFPs) have been issued for outside counsel to the Board and individuals interested in serving as hearing officers during FY 99.
- An RFP has been issued for an individual or a firm to provide the agency with financial advisory services. Three responses have been received and are being evaluated by staff.

The Administrator reported that Christine Takada who served as Executive Assistant to the Administrator has resigned to pursue personal interests. Janis Kielbasa will replace Christine in this position starting July 1. He further noted that Sharon Pittman who served as an Administrative Assistant to the Audit Division has accepted a position with another state agency in Springfield.

Joe Haughey reported that representatives from the Coast Guard and Army Corps of Engineers will be at the July meeting to address Board questions regarding vessel safety. Representatives were unable to be attend today's meeting due to a reorganization of personnel. Chairman Johnson asked that this issue be postponed until the September meeting due to a heavy July agenda.

Owner Licensee Items

CASINO QUEEN - Ed Duffy, representing Casino Queen, requested licensure renewal and reported that the Casino Queen has entered into a development agreement with the City of East St. Louis and the finance authority that oversees the operations of the City. The development agreement sets conditions in which the Casino Queen agrees to develop the riverfront adjacent to the vessel (owned by Casino Queen) and meet certain conditions set by the City. In return for this development the Casino Queen is allowed to be part of a Tax Increment Financing ("TIF") district in existence to help offset costs of the project. The total cost of the project is \$35 million which includes the construction of a 150 room hotel and entertainment center, an RV park and improvements to the visitor's center.

Chairman Johnson asked if the development is going to occur within the geographic boundaries of an existing TIF. Mr. Duffy concurred and stated that the TIF has been in place since 1986.

Member Vickrey asked what the geographic boundaries of the TIF are. Mr. Duffy stated that he believes it to be the entire City.

Member Pyatt asked if the hotel and entertainment center are the only items that are not completed. Mr. Duffy stated the RV park is not completely built, and the bridge improving the entrance to the boat will be finished in 30 days.

Chairman Johnson stated that the development proposal and renewal of the Casino Queen will be placed on the July agenda for final consideration.

EMPRESS ENTERTAINMENT, INC. (“Empress”) - Mike Hansen, representing Empress, requested a waiver of Board rule 3000.510 to permit dockside gaming on the Empress II between September 30 and October 5 while the vessel undergoes a bow thruster overhaul. Mr. Hansen also requested permission for the Empress II to undergo an underwater hull inspection between September 30 and October 28.

Chairman Johnson asked if the Empress II was undergoing the same process as the Empress I. Mr. Hansen concurred. Chairman Johnson asked how the Coast Guard is treating hull inspection reviews at this time. Mr. Hansen stated that the Coast Guard has treated Empress very favorably and is extending the inspection requirement for 30 months.

Peter Ferro, representing Empress, introduced several members of the Empress staff and John Mezzera, City Manager of Joliet. Mr. Ferro stated that Empress has implemented changes requested by the Board at its 1997 renewal. Changes have been made to the corporate structure, internal controls and policies have been strengthened, marketing strategies have been revised and new management has been hired to operate Empress-Joliet as efficiently as possible.

Joe Canfora, President of Empress, reported on the accomplishments of the new team. He stated that Empress has invested over \$12 million throughout the past year. In May, an 80 space RV park was opened adjacent to the hotel; in August a day care facility will be opened for the children of its employees; in October Empress will open a night club; and renovations are planned for the Empress I. Another \$1 million is currently being spent on the Empress II as well as upgrades to the pavilion.

David Fendrick, VP and General Manager of Empress, gave an overview of improvements made in the following areas: organization and management structure, system controls and compliance, marketing, revenue enhancements, team member development and morale, margins and efficiencies, and community involvement.

Pete Ferro requested renewal of Empress’ owner’s license.

HARRAH'S CASINO JOLIET ("Harrah's") - Jim Rankl, representing Harrah's, introduced the management team of Harrah's.

Tom O'Donnell, General Manager of Harrah's, addressed the current status of the market in the Chicagoland area. He stated that Harrah's Entertainment, Inc. has instituted a \$32 million advertising campaign. He reported that at the end of 1997 Harrah's Joliet had 1,366 employees and an annual payroll exceeding \$39 million. Harrah's employees directly support the local economy by their purchasing power as well as their volunteer contributions that they make in the Joliet area. In 1997, Harrah's paid \$37.3 million in gaming and admissions taxes.

Mr. O'Donnell gave an overview of the licensee's involvement in community and civic affairs. He stated that, through part of its special services area funding, Harrah's has provided the City of Joliet with the monies to generate and increase the interest of locating small businesses in downtown Joliet at the City Center. A task force of senior management has been formed to meet and review initiatives dealing with responsible gaming and Harrah's has invested \$5.8 million in capital improvements including a climate controlled sky walk, VIP lounge and upscale coffee shop. Mr. O'Donnell also reported that the five year hull inspection of the Northern Star was completed in May.

Mr. O'Donnell reminded the Board that last year Harrah's announced its intention to build a 204 room hotel in Joliet. The project was put on hold to continue market research and financial feasibility studies. Mr. O'Donnell stated that Harrah's has completed its assessment of the project and the executive team at Joliet made a capital presentation to its capital committee requesting a restart of the \$29 million project. Preliminary approval was granted. Harrah's is waiting for the second level of corporate approval from the senior executive committee.

Mr. O'Donnell requested approval of Harrah's owner's license.

Chairman Johnson asked what the total investment in Joliet will be once the \$29 million hotel is built. Mr. O'Donnell stated \$105 to \$110 million.

Chairman Johnson asked if the Showboat acquisition is complete. Mr. Rankl concurred. The Chairman further asked what the impact is now with the two facilities in the same market area. Tim Wilmott, Senior Vice President of Harrah's, stated that he will be prepared at the next meeting to answer questions regarding the acquisition of the Showboat, and he will discuss how Harrah's plans on integrating its East Chicago, Indiana operation into the Harrah's family. Chairman Johnson stated that he would like Mr. Wilmott to be prepared to discuss: 1) the comparable investment and assets that Showboat had; 2) the expectations of continued investment in East Chicago compared to

the investment plans Harrah's is contemplating in Joliet; and 3) how Harrah's is going to create a competitive environment in the same market place.

Member Vickrey asked how rent subsidies work. John Mezzera, City Manager of Joliet, stated that the City of Joliet in cooperation with all of the other building owners and managers in the City Center have put together a special services area. Because Harrah's was in the enterprise zone initially, its assessed valuation does not contribute to that special services area so they made a voluntary contribution which totals around \$63,000 on an annual basis. These funds are given to the City Center partnership and the marketing committee decides what to do with the monies in addition to the \$120,000 generated from the other businesses. The marketing committee has recommended for this year to allocate funds to generate more economic development in the City Center by bringing in new businesses. Rent subsidizes will be used at a maximum of \$10,000 per business per year.

Member Vickrey asked in what terms is Will County the fastest growing county in Illinois as it was stated in the presentation. Mr. O'Donnell responded in terms of population. Mr. Vickrey asked if it was the percentage of population growth or actual bodies. Mr. O'Donnell stated percentage of growth.

Member Vickrey asked what Harrah's-Joliet feels its chances of success are with the capital committee for getting approval to build the hotel. Mr. O'Donnell stated that based on the minimum internal rate of return from a company stand point, he is confident of approval. Member Vickrey asked Mr. O'Donnell to pass along to the capital committee that the Board is very interested in seeing the hotel built.

Member Vickrey asked how Harrah's views its revenue projections with all the proposed site changes. Mr. O'Donnell stated that its five year plan, before the hotel, calls for \$172 million in 1999, \$179 million in 2000 and increasing from there. These figures are up from its current revenue of \$150 million per year.

HOLLYWOOD CASINO AURORA ("HCA") - Richard Knight, representing HCA, introduced several members of its organization. Mr. Knight reported that 1997 has been a year of transition with changes in the business climate but HCA has met the changes due to the stability of its management team.

Mr. Knight stated that HCA is committed to meeting the legislative mandate and creating economic development and increasing tourism. Mr. Knight discussed HCA's capital spending and commented on the new memorabilia added to its "Star Park" and Fairbanks restaurant, and the entertainment presented at the Paramount Theater, which is 100 percent funded by HCA. Mr. Knight stated that HCA attracts people by enhancing the Aurora area entertainment and cultural environment. At the cultural level, HCA has

worked with the Fox Valley Symphony to help them reach out to a different demographic patron groups. He also noted HCA's support for Sci-Tech, the local area technical facility, where children can see and perform science projects. On the entertainment side HCA has been involved as sponsors of the Fox Fest, the Rib Fest in Naperville and the Kane County Fair. Mr. Knight stated that HCA enhances the Aurora area business and civic environment with human capital by serving on various community boards. In the area of compliance, HCA has worked with the Administrator and staff to address any concerns.

Mr. Knight addressed the on-going concern with the percentage based management fee. He stated that work is being completed and Ed Pratt, President of HCA, will address this at the July meeting.

Mr. Knight requested renewal of HCA's owner's license.

Member Vickrey asked Mr. Knight to address HCA's decision to cut back sponsored events at the Paramount Theater and hours of operations on the City of Lights II (HCA's smaller vessel). Mr. Knight stated that there will not be any changes to the number of HCA sponsored events at the Paramount. Regarding the operating hours, Mr. Knight stated that in January and February the day time operations were shut down on its smaller vessel. Mr. Knight reported that HCA is planning to build a \$30 million vessel to replace the City of Lights II.

Member Vickrey asked Mr. Knight to address HCA's revenue projections. Mr. Knight stated that the current revenues are approximately \$150 million and HCA feels it can increase that figure by 10 to 20 percent.

ALTON GAMING COMPANY ("Alton") - Don Malloy, representing Alton, requested initial consideration to waive the cruising requirement to conduct repairs discovered during its hull inspection completed in February.

Mr. Malloy requested approval of Melvin Cruthis as Director of Security for Alton Gaming Company.

Member Scrogum moved **that the Board approve Melvin L. Cruthis as a Level 1 Occupational Licensee of Alton Gaming Company.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS - John Costello, representing Empress, requested final approval as a co-borrower under a \$100 million senior secured revolving credit facility with Wells Fargo as the agent bank. The bank facility is available to refinance existing indebtedness and to provide for capital expenditures and general working capital needs. The covenants are

standard for bank financing and include a limitation on additional indebtedness and limitations on dividends. The facility is priced based on a leveraged ratio and will mature in five years. The facility provides Empress with another tier to its capital structure and offers pre-payment flexibility and additional borrowing capacity.

Chairman Johnson asked what is the intended use of the \$150 million senior subordinated debt approved at the May Board meeting. Mr. Costello stated that the new debt was a refinancing and will, in the main, be used to effectuate a covenant defeasance of the 10 3/4 notes and to retire Hammond bank debt. Future draws under the new credit facility give the company another layer of capital to cover any future expenditures.

Member Scrogum moved **that the Board approve the \$100 million revolving credit facility issued by Wells Fargo Bank and a consortium of banks to Empress Entertainment, Inc., the parent of Empress Casino Joliet Corporation. This approval is subject to the Administrator's review and approval of the final credit agreement.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

ARISTOCRAT, INC. - Donna More along with Craig Bullis, Director of Compliance, representing Aristocrat, requested approval of its supplier's license.

Member Pyatt moved **that the Board approve Aristocrat, Inc.'s application for renewal of its supplier's license. This license is issued for a period of four years, expiring June, 2002.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

MIKOHN GAMING CORPORATION ("Mikohn") - William Kunkle, representing Mikohn, requested approval of Mikohn's acquisition through a stock buy-out of Progressive Games, Inc.

Administrator Belletire stated that both Mikohn and PGI are licensed suppliers. In order to eliminate confusion and concerns, Mikohn agreed to be the sole Illinois supplier of "PGI products" in Illinois.

Member Vickrey moved **that the Board approve the proposed acquisition of Progressive Game's Inc. ("PGI") by Mikohn Gaming Corporation. This approval is subject to and conditioned upon the following:**

The acquisition of PGI is to be made pursuant to the terms and conditions of the stock purchase agreement and the representations made to staff regarding the organization and operation of PGI following the acquisition.

On or before the closing of the acquisition, Mikohn is to submit a written request to the Administrator to amend its product list in order to include the sale and distribution of PGI products to Illinois owner licensees.

Further, I move that Mikohn submit Personal Disclosure Form 1's for certain of its new Mikohn employees as may be identified by the Administrator.

Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

IGT - Mike Ficaro, representing IGT, requested approval of George Baker as a Key Person of IGT.

Member Browder moved **that the Board approve George T. Baker as a Key Person of IGT.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

PLAYERS/SOUTHERN ILLINOIS RIVER CASINO CRUISES ("SIRCC") - Mike Ficaro, representing SIRCC, requested approval of Charles Masson as a Key Person of Players.

Member Browder moved **that the Board approve Charles M. Masson as a Key Person of Players International, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Pyatt moved **that the Board approve 96 applications for an Occupational License, Level 2, and 232 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 2 and 5 applications for an Occupational License, Level 3.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

BLACKJACK WIN CARDS - Chairman Johnson deferred this item until the July Board meeting due to a late filing of additional information.

RULES - Ms. Cusack requested to submit a series of rules with the Joint Committee on Administrative Rules for a second notice filing. No comments were received from the public during the 45 day notice period.

Member Scrogum moved **that the Board approve the Second Notice Filing of the following proposed definitions and rules:**

- **The revised definition of “Junketeers”, and the added definitions of the terms “Parent Company”, “Person” and “Substantial Owners”;**
- **Proposed Board rule 3000.105; and**
- **The proposed revisions to Board rules 3000.200, 3000.210, 3000.245, 3000.660, and 3000.800.**

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:32 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board